

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - LAKER AIRWAYS

REF: STATE 160329

1. OFFICIALS IN DEPARTMENT OF TRADE HAVE COMPLETED UK CIVIL AVIATION POLICY REVIEW AND THEIR REPORT HAS BEEN SENT TO TRADE SECRETARY FOR CONSIDERATION. AN OFFICIAL STATEMENT ON THE REVIEW IS EXPECTED BEFORE PARLIAMENTARY RECESS IN EARLY AUGUST. PRIMARY FOCUS OF REVIEW HAS BEEN ON THE QUESTION OF THE PROPER BALANCE BETWEEN STATE- AND PRIVATELY-OWNED AIRLINES ALTHOUGH OTHER ISSUES HAVE ALSO BEEN CONSIDERED. WE HAVE TRIED ON SEVERAL OCCASIONS TO DRAW OUT BRITISH OFFICIALS AS TO ACTUAL CONTENT OF REPORT NOW UNDER CONSIDERATION BUT WE HAVE BEEN UNSUCCESSFUL. THEY SIMPLY WILL NOT DISCUSS ITS SUBSTANCE WITH US. USUALLY WELL-INFORMED AVIATION JOURNALISTS ARE ALSO IN THE DARK.

2. BRITISH CALEDONIAN, THE PRIVATELY-OWNED, "SECOND FORCE" AIRLINE CREATED IN 1970 TO PROVIDE A COMPETITIVE SPUR TO BRITISH AIRWAYS AND IMPROVE THE UK SHARE OF THE INTERNATIONAL TRAVEL MARKET, IS CLEARLY VERY CONCERNED ABOUT THE POSSIBILITY THAT THE GOVERNMENT MIGHT DECIDE TO MERGE BCAL INTO BA OR WEAKEN THE CARRIER BY RESTRICTION OR REMOVAL OF THE COMMERCIAL OPPORTUNITIES NEEDED FOR IT TO REMAIN AN EFFECTIVE FORCE. IT IS UNCLEAR,
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HOWEVER, WHETHER BCAL'S CONCERN IS BASED ON INSIDE

KNOWLEDGE OF CONTENT OF POLICY REVIEW AND GOVERNMENT'S INTENTIONS OR WHETHER IT IS BASED ON STATEMENTS BY SOME LABOR PARTY OFFICIALS (MADE WHEN LABOR WAS OUT OF OFFICE) EXPRESSING DESIRE TO END SO-CALLED "SECOND FORCE" CONCEPT AND FOLD BCAL'S SCHEDULED SERVICE OPERATIONS BACK INTO THOSE OF BRITISH AIRWAYS.

3. POLICY REVIEW WILL CERTAINLY CLOSELY EXAMINE LAKER SKYTRAIN SERVICE FROM STANDPOINT OF WHETHER CONCEPT OF LOW-COST, NO RESERVATIONS SERVICE IS WORTH PURSUING AND, IF SO, WHETHER OPERATOR OF SUCH A SERVICE SHOULD BE STATE- OR PRIVATELY-OWNED. UNFORTUNATELY, WE HAVE BEEN UNABLE TO GAIN ANY INSIGHT INTO HOW THIS EXAMINATION IS LIKELY TO TURN OUT.

4. IT IS NOT CLEAR FROM REFTTEL WHY DEPARTMENT NOW SEEKING INFORMATION AS TO HOW POLICY REVIEW LIKELY TO BEAR ON SKYTRAIN SERVICE. HOWEVER, IF INTEREST IS BASED ON POSSIBLY IMMINENT USG DECISION ON SKYTRAIN PERMIT APPLICATION, WE WOULD ARGUE VERY STRONGLY THAT BRITISH POLICY STATEMENT AND ITS IMPLICATIONS FOR SKYTRAIN SHOULD HAVE NO BEARING ON US DECISION WITH RESPECT TO SKYTRAIN APPLICATION. WE HAVE REPORTED MANY TIMES THAT BRITISH REGARD US FAILURE TO ISSUE SKYTRAIN PERMIT AS FLAGRANT VIOLATION OF US-UK AIR SERVICES AGREEMENT. THIS FAILURE TO ISSUE PERMIT IS A SERIOUS IRRITANT THAT WILL COLOR OUR AVIATION RELATIONS WITH THE BRITISH FOR A LONG TIME TO COME EVEN IF BRITISH NOW DECIDE TO ABANDON SKYTRAIN EXPERIMENT. ALTHOUGH ISSUANCE OF PERMIT NOW WOULD NOT COMPLETELY RECTIFY SITUATION IT WOULD CERTAINLY BE A MAJOR STEP TOWARD RETURNING AVIATION RELATIONS TO NORMAL. AT SAME TIME, US ISSUANCE OF PERMIT (WHICH WE WOULD ASSUME WOULD BE MADE SUBJECT TO CERTAIN CONDITIONS TO MAKE IT MORE ACCEPTABLE) WOULD BE UNLIKELY TO INFLUENCE SIGNIFICANTLY BRITISH DECISION ON WHETHER TO RETAIN SKYTRAIN CONCEPT. IN SHORT, AS WE SEE IT, US HAS MUCH TO GAIN AND LITTLE TO LOSE BY CONDITIONAL APPROVAL OF SKYTRAIN PERMIT BEFORE BRITISH POLICY STATEMENT IS ISSUED.

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